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AZ CORP COMMISSION
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Arizona Corporate Commission
Consumer Services Section
1200 W. Washington St.
Phoenix, AZ 85007

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February 10, 2009

Arizona Corporation Commission
DOCKETED

Subject: Fee increase request by:
Far West Water and Sewer Inc.

MAR - 9 2009

Honorable Commissioners:



I am a retired builder / developer, and was for a large part of my working career. I am also a property owner in the Foothills area of Yuma County, served by Foothills Water and Sewer Inc. I have dealt with lot development and lot improvements for many years in multiple states. I have, however, never been involved with a situation such as exists here in the Foothills. The water / sewer utility is owned and operated by the property developer.

When a developer undertakes a development project, that developer is responsible for all of the costs involved in the property improvements such as, but not limited to, infrastructure to each individual lot, streets, curbs, gutters, sidewalks, drainage, grading, lot elevations, and any other conditions required by the Planning Commission, and approved by the jurisdiction overseeing the community, such as Commissioners, Supervisors, City Counsel, etc. Any and all utility company development fees, and connection fees are borne by the development company, or in the case of connection fees, the owner of the property making the first connection to the utility. These fees are normally spelled out in the subdivision report, or by the sales agent for the property so there are no surprises to the buyer. The developer fees are normally used by the utility to pay for extension of the infrastructure pertaining to that particular utility. The connection fees are put into an endowment fund earmarked for future capital improvements to the utility's infrastructure demands as the community grows. It appears the excessive rate increase requested by this utility is to offset just such costs.

The common ownership of H & S Developers and Far West Water and Sewer Inc. raises a question about how the management of these entities find themselves in such a deficit. Gross and negligent mismanagement is the only answer. Case in point: Recently two employees lost their lives in an industrial accident that can only be attributed to incompetent or total lack of proper supervision of the activities and the duties of the employees. The subsequent law suit stands to cost the utility owners large sums of money. There are legal fees in excess of seven hundred thousand dollars to date. As the case is not resolved and closed, there, of course, will be more and more legal fees. These fees were, and no doubt will be, conveniently paid to the law

firm of the spouse of an owner. Did these fees, and any future settlement and legal fees, come from the funds that are designated for the capital improvements in question? Have the designated funds been misused for any other unauthorized expenditure? Has the property development entity paid into the utility entity, reasonable and adequate fees to ensure the solvent operation of the water and sewer utility? H & S Developers have undertaken vast development projects in the past 3 or 4 years. Also the economy has taken a severe turn for the worse, resulting in far fewer sales than expected of anyone in this type of business.

Now an apparent grossly mismanaged utility company is requesting your approval of an overcharge to the users of that utility to bail them out of their self inflicted financial problems. You are the stopgap between utility companies and the general public. It is your commissioned duty to thoroughly investigate a request such as this. The general public is requesting of you to do that tough job to which you were elected. In this case, a thorough and independent audit of the financial practices of these companies, for the past five years is warranted. If the companies are found to be in violation of competent business practices, you in good conscience cannot require the rate payers to bail them out. The other utilities, such as electric, gas, telephone, television cable are not requesting the rate payers to subsidize themselves and H & S Developers.

Many articles, published in the Yuma Sun newspaper, confirm the statements listed above. Also there is reference made in the articles as to the inability of the company to complete required capital improvement projects if they are held responsible for the incompetent operation (namely the two deaths) of Far West Water and Sewer Inc. Again, this is not the responsibility of the rate payers. If the owners of Far West Water and Sewer Inc. do not have the ability to competently manage and operate this utility in a manner competitive with similar utilities in the surrounding area, perhaps a county water and sewer district should be formed to take over this utility and competently operate it in the interest of the rate payers involved.

Thank you for your diligence in this matter.

Julius K Ashlock

Retired

Cc: Letters to the editor of the Yuma Sun newspaper.

Attachment